

**Ike Zeringue's Remarks
to the 2000 Financial Analyst and Investor Meeting
March 24, 2000 — New York, New York**

POWERING PROSPERITY

Introduction

(Slide Z-1: TVA title page)

Thank you, Craven.

In your remarks, you touched on the importance of dedicated employees. I'm pleased to talk about our employees' performance, about our ability to supply reliable, low-cost electricity to our customers ... and about powering prosperity in the Valley.

Operational Performance

1999 was one of our most challenging years ... and TVA employees proved once again they are up to the challenge.

(Slide Z-2: TVA Summer Peaks 1994-1999)

As Craven mentioned, during one of the hottest summers on record, TVA peak demand exceeded the 1998 peak 16 times with an all-time record peak demand of 28,295 megawatts.

(Slide Z-3: Net System Generation)

We've been able to meet increasing demand because our power plants are operating reliably, our transmission system is strong, and we have invested wisely in expansion of the system.

TVA's nuclear plant capacity factor in 1999 was 90.5 percent, compared to a national average of 84.5 percent. This is the fifth year in a row that TVA Nuclear set a new nuclear generation record. thanks to continuing short refueling outages, excellent operational performance and upratings at our Browns Ferry plant.

As you saw on the previous slide, generating unit availability is critical during the summer. Last year, our fossil system rose to the challenge by generating 34 billion kilowatt hours during the summer season ... the most since the summer of 1995. We've been concentrating on preparing units for the summer and it is paying off.

And our combustion turbines generated more electricity in both 1998 and 1999 than in any year since 1978.

Last year, we merged all responsibilities for managing the river system into one organization to further strengthen our integrated system for flood control, navigation and power production. And even with significant rainfall shortages, TVA's hydro plants made a major contribution to meeting peak demands throughout the summer.

We've been able to successfully meet the challenges placed on us the last couple of years because of the strength and adaptability of our power system. Having a broad generation mix ... combustion turbines ... fossil, nuclear and hydro plants ... a strong transmission system ... and sound planning enable us to quickly adapt our resources to changing conditions Even those out of our control like droughts, heat waves, and ice storms.

System Growth

(Slide Z-4: TVA Sales Growth)

We've been able to reliably meet the increasing demand for electricity, but demand in the region is growing at one-and-a-half times the national average.

(Slide Z-5: TVA Capacity Increases)

We've added over 2,700 megawatts of mostly baseload generating capacity since 1994. We plan to add more than 2,400 megawatts through improvements to existing units and the addition of peaking units over the next several years. And we have a capacity study underway to determine the most cost-effective way to meet future demand for electricity in the Valley ... a key component in meeting the 10-year Business Plan's objective of ensuring that TVA's prices remain competitive.

As Craven mentioned earlier, we must also ensure that our transmission system is able to deliver this new capacity.

(Slide Z-6: TVA Transmission Improvements)

Since 1994, TVA has added 700 miles of new transmission lines and 122 customer delivery points. Last year alone, we increased transmission system load carrying capacity by nearly 2,000 megawatts.

TVA is committed to providing a reliable supply of power to the Valley. Through improved maintenance, better outage planning and general system improvements, we have improved reliability by 30 percent since 1994.

Operating Costs

(Slide Z-7: Resource Data International Quote 10/1/99)

TVA's ability to support regional economic growth depends on both a reliable supply of power and competitive prices. I've told you what we're doing to ensure power supply reliability we're also ensuring that our operating costs remain among the lowest in the nation.

TVA continues to have the third lowest operating costs among the nation's largest 50 utilities ... and that's not bad considering the first- and second-ranked utilities are hydro-powered systems in the Northwest.

(Slide Z-8: 1998 Average Net Generation & Transmission Costs)

As you can see, TVA's operating costs remain competitive with the utilities in our region, which have some of the lowest prices in the nation ... and we are very competitive with the utilities that are currently positioned to be our future competitors.

In every category ... fuel, O&M and transmission ... TVA's operating costs are much lower than our competitors. We are able to produce and transmit power for 1.54 cents a kilowatthour ... that's 27 percent lower than our largest competitors' average cost, and 29 percent lower than the national investor-owned utility average. We're even 10 percent lower than other large public power systems.

Sustaining Excellence

TVA's size, our location close to coal markets, and our diverse generation mix are significant competitive advantages but they are not enough as we approach this new era of utility competition.. Our employees are committed to attaining top decile level performance. We do this through special employee improvement teams at the plant level, peer teams within our major business units, and TVA-wide through business transformation teams.

(Slide Z-9: Business Transformation Process)

Our Business Transformation improvement efforts are focused on major TVA business processes that cross organizational boundaries such as Asset Optimization, Customer Value, Supply Chain, and Performance Management.

The primary goal of Business Transformation is to meet the targets in TVA's 10-year Plan to keep our prices competitive in the long term, while continuing to meet our customers' expectations for reliability.

(Slide Z-10: TVA Business Transformation Team --Asset Availability results)

As an example, our Business Transformation Asset Availability Team has reengineered our process for ensuring that power plants and transmission facilities are online when they're needed the most. The team has refined the processes that allow us to look ahead and to schedule maintenance at times when the demand ... and the market value for power is lowest ... and to ensure that plants are available when demand is the highest. The initial implementation of this process saved TVA nearly \$80 million last summer.

(Slide Z-11: TVA Business Transformation Team--Supply Chain results)

Another Business Transformation Team that has improved efficiently is the Supply Chain Team. Over the past two years, it has reduced TVA's costs for materials and services by more than \$100 million by efficiently managing supply contracts, reducing inventories, and lowering total costs of procurement.

Customer Satisfaction

Sustained operational excellence ensures TVA's ability to deliver highly reliable, low-priced power to our customers....their top two requirements. But we realize that our customers' requirements are changing as the marketplace becomes increasingly competitive, and that we must provide new products and services to meet their emerging needs.

We have formed a Customer Value Team to improve customer satisfaction by making sure our customers have what they need to successfully compete in the future. The team has been working with distributors and directly-served customers to design processes that will allow TVA to provide a better product and service mix.

Examples include:

(Slide Z-12: New Products & Services: (1) Regional accounts)

Our Regional Accounts group is working with our distributors to give multiple-site businesses a single point of contact for negotiating/evaluating corporate-level power requirements.

(Slide Z-13: New Products & Services: (2) Summary Billing)

Summary billing provides one bill to customers with multiple Valley facilities, making billing more convenient and allowing a company to analyze utility costs across the breadth of its operations.

(Slide Z-14: New Products & Services: (3) Interruptible Power Options)

And our Interruptible Power Team is developing new products to allow our customers to select pricing and product features that match their price and risk profiles.

(Slide Z-15: New Products & Services: (4) Wholesale Energy to Market Test Program w/highlights)

TVA is also offering optional contract arrangements to distributors for a Wholesale Energy to Market Test Program, which will allow distributors to buy power from other suppliers and arrange for its delivery to TVA on a weekly basis. TVA will continue to be the full requirements supplier, but the program will offer participating distributors an opportunity to gain actual market experience by making weekly purchase arrangements for up to five percent of their average weekly requirements. This program will be launched on April 6, and based on verbal commitments to date, we anticipate at least 600 megawatts being taken to the market by TVA distributors.

(Slide Z-16: PHB Hagler Bailly Quote 10/5/99)

We have partnered with distributors to serve the people of the Tennessee Valley for over 65 years. TVA values this partnership, and we want to continue to be the supplier of choice. We intend to continue to offer competitive prices and

reliable power . . . we will continue to work with our customers to provide a variety of products and services that benefit not only the distributors of TVA power, but the people of the Tennessee Valley.

Conclusion

(Slide Z-17: Resource Data International Quote 10/1/99)

Our employees are setting the standard for the industry in operational excellence ... competitive prices ... reliable power ... and customer service ... to ensure that we can continue to generate prosperity for the people of the Tennessee Valley.

I've told you how we power prosperity now David Smith, TVA's Chief Financial Officer, will tell you how we plan to perpetuate financial prosperity.